

# DEPARTMENT OF TREASURY

## PURCHASING AND PAYMENT PROCESSES

### FY 1999 – FY 2000 ELECTRONIC COMMERCE IMPLEMENTATION PLAN

The Treasury Department vision for procurement electronic commerce is to be a leader among federal agencies in accomplishing an end-to-end electronic marketplace for the department in all its acquisition needs. The diversity and support missions among the twelve bureau procurement offices readily support this vision.

This plan follows the basic format of the November 24, 1998, OMB memorandum request for submission of this document. The format sections are indicated by italics and bold.

#### **I. PAYMENT PROCESSES**

The Federal Financial Management Service is the primary federal agency relating to federal payments and electronic commerce. Therefore, its programs, projects and initiatives are germane to all Treasury bureaus as well as much of the federal government.

FMS, Federal Finance, Cash Management area strives to research and develop initiatives and implement pilots to test commercial, customer friendly electronic purchasing tools that can be integrated into the Federal framework of policies and regulations. Often, to accommodate new technology or law, policies and regulations are changed through due process. Federal Finance seeks innovative financial tools that can be integrated with commercial electronic processing of payment, accounting, reporting and reconciliation information.

##### ***1. Major initiatives.***

In FY 1999 the following major initiatives will be undertaken:

- (1) Intra-Governmental Transfer System (IGOTS). Leveraging electronic card processing solutions already in place with the Plastic Card Network (PCN- includes USA Card) and the GSA Smart Pay contract. The FMS is developing a “Consolidator” system to act as a clearinghouse for the flow of Intra-Governmental Transfers that are the result of GSA SmartPay transactions between two government agencies. This system will keep agency to agency payments within the government. Settlement will be book-entry will be accomplished at the ALC level, and will additionally provide the capability for the same card to be used commercially outside the Federal government. The transaction data will be

modified to include additional accounting data (the fund symbol) to assist agencies in the timely and proper recording of transactions and the capture of trading partner information. Intra-Governmental Transfer is defined as “collections from expenditure accounts that are deposited into expenditure or receipt accounts”.

A decision was reached by the IGOTS (Intra-Governmental Transfer) Advisory Board meeting on February 24, 1999, to discontinue IGOTS system development until implementation issues are resolved. These issues include transaction processing fees, timing and resources. Accordingly, IGOTS will not be a FY 1999 initiative for payments within the Government. The group discussed short-term alternatives for improving intra-governmental transaction processing with Treasury, GAO and OMB. A mutual decision was reached to use a commercial card system for small purchases in conjunction with enhanced OPAC capabilities. This alternative will not require system modifications and is cost beneficial.

- (A) Supports GSA and government-wide collection and financial information requirements and agencies information needs.
- (B) Supports building block 2, increasing and improving payment utilities.
- (C) Initiative is not included in the agency budget. The effort will be funded outside the agency using a financial institution.
- (D) Does not include a major acquisition.
- (E) This initiative is not a major acquisition (in terms of appropriated cost), but is a major initiative.

(2) CASH-LINK. The Federal Government’s collection system supports invoice and remittance processing. This collection system, through the Agency Access program, makes deposit data available to agencies the day after a deposit is made to their accounts. FEDWIRE payment data is available immediately and is often used to confirm payment for goods and services before goods are released or services performed. A new system being developed will include agency remittance detail that will further enhance remittance processing and financial reporting.

- (A) Supports government-wide collection and financial information requirements of the Treasury and agencies .
- (B) Supports building block 2, increasing and improving payment utilities.

(C) Initiative is not included in the agency budget. The effort will be funded outside the agency using the FRB indefinite appropriation and banking services provided by a financial institution.

(D) Does not include a major acquisition.

(E) This initiative is not a major acquisition (in terms of appropriated cost), but is a major initiative.

In FY 1999 the following initiatives will continue:

(1) USA Card. FMS developed the USA Card for intra-governmental funds transfers, to be used by agencies purchasing goods and services from other agencies. It supports the movement of funds between agencies for a cost of \$0.95 per transaction. Federal funds do not leave the government. Settlement is accomplished by debiting and crediting agency accounts in the On-line Payments and Collections System (OPAC) and agencies have access to the information in the OPAC system.

(2) Electronic Data Interchange (EDI). Pilots are underway for agencies to receive both funds and remittance advice/details electronically. For example, HUD has a pilot with Countrywide Mortgage Company. Countrywide remits payments and account management data together in one transmission, electronically. FMS researches and writes standards and policy for government agencies to implement and to use commercial EDI to standardize information for account management, invoice and remittance processing and intra governmental transfers.

(3) Plastic Card Network (PCN). Credit and debit plastic card accounts have been established for use by all Federal agencies. All PCN accounts are set up and maintained by FMS at designated commercial banks. The PCN also includes the economical USA Card developed exclusively for use by Federal agencies buying and selling with other agencies. Operating policies, contracts and all fees associated with the use of these accounts are provided by the FMS.

(4) On-Line Payment and Collections (OPAC). This electronic program allows agencies to transfer large, fiduciary type payments between governmental entities. Federal funds do not leave the government. Settlement is accomplished by debiting and crediting agency accounts at the ALC level and agencies have on-line access to their information using the OPAC system. OPAC is currently undergoing a revision to improve its features and make it Internet-based.

(5) Internet Credit Card Collections. FMS established a program to set up sites for Federal agencies to accept credit card payments on line for the acquisition of government goods or services. For example, individuals may remit donations or buy goods sold to raise funds, for example the American Battlefields

Commission (Bob Dole Chairman) using any commercial credit card over the Internet. The American Battlefields Commission is building the World War II monument.

In FY 1999 the following pilots will continue:

(1) Electronic signatures. This pilot project with the Bureau of the Public Debt offers its on-line store (<http://moneyfactory.com> sells currency and related collectibles) to consumers worldwide who are able to make purchases over the Internet. FMS hopes to determine whether this technology will foster secure on-line Internet commerce at government web sites. The test uses a smart card that contains an embedded chip that holds not only account information but the digital signature which provides authentication. This project incorporates elliptic curve cryptography into the Secure Electronic Transaction (SET) protocol, a technology developed to secure credit card transactions on the Internet. The elliptic curve cryptography is an alternative public key crypto system for performing digital signatures, encryption and other security functions. Smart cards are used to secure the private cryptographic keys of the credit card holders, and hardware encryption devices are used to secure the cryptographic keys at the merchant servers. During May 1998, BEP's Internet site had 22,000 visitors who made over 112,000 requests for information.

(2) E-checks. This pilot program in partnership with the Pentagon disburses payments via electronic checks over the Internet to 50 government contractors. It is the result of three years of research by the Financial Services Technology Consortium (FSTC), a group of financial institutions, national laboratories, universities and federal agencies. Government suppliers are paid with electronic checks sent through secure Internet electronic mail. The receiving companies will be able to endorse them with a digital signature and forward them to their banks for rapid deposit. The depositing bank will electronically present the electronic checks to the Federal Reserve Bank of Boston which will employ traditional check clearing and settlement procedures. A major benefit of electronic check technology is that payment information (remittance data to government vendors so they can account for EFT payments) can accompany the electronic check.

(3) Smart Cards. Stored value, plastic cards embedded with a computer chip are being used in numerous pilot projects to pay the military. A project at Fort Sill Oklahoma includes fingerprint identification (biometric sensor used at point of sale) for verification for purchases in order to increase security should the cards be lost. With this enhancement, soldiers do not have to remember a PIN. Working with DFAS at Lackland Air Force Base, the scope included integrating mainframe payments and registration systems to confirm the arrival, complete registration and disburse \$250.00 as a pay advance. In a project with the Veterans Administration, smart cards are used to place Visa Cash in the hands of patients, physicians, visitors and volunteers as well as employees of VA facilities. On this

pilot, 25,000 cards were issued and served also as an identification badge, electronic purse, vending machine and ATM card.

## **2. *Milestones and measures.***

The CA\$H-LINK initiative will be completed and implemented by October 2002.

The IGOTS project may be implemented by the end of FY 2000.

## **3. *Management structures and processes.***

The FMS Investment Review Board must review all initiatives costing in excess of one million dollars. The board determines whether the investment is in the best interest of the agency and the government. The board consists of representatives from all of the agency's components and functional areas.

# **II. PROCUREMENT PROCESSES**

## **1. *Major initiatives.***

- (1) *Expanding and enhancing electronic catalog purchasing, by increasing interoperability as feasible, linking to payment utilities, and migrating to commercial catalog solutions.***

The Treasury Department plans to actively engage the commercial sector during FY 2000 to encourage the provision of electronic catalogue shopping vehicles for departmental buyers. In light of the \$2.8 billion expended by the department annually through procurement, vendors should be eager to provide electronic catalogs using flexible, intelligent languages such as XML, OBI and Java that will enable ready access by Treasury buyers. On its part, Treasury will host meetings to discuss the opportunities available, as well as ensure full communication to staff about readily available electronic catalogs in a systematic fashion.

- (2) *Increasing and improving use of electronic payment utilities through Purchase Card implementation for account management, invoice and remittance processing, and intra-governmental transfers.***

Treasury plans to take full advantage of the electronic technology, integrated card services and smart card technology available under GSA's SmartPay contract once the transition to a new contractor has been accomplished. Although quite problematic during implementation, once Citibank succeeds in making CitiDirect fully operational, the resulting system should make Purchase Card use better than ever. Realizing the efficiencies and savings available through standardization and

centralization, efforts were made to use one SmartPay contractor for all of the Treasury bureau purchase, travel and fleet card programs to set the stage for future efficiencies. Present activities are concentrated on using the web based and client server programs available from the contractor to facilitate cardholder set up, maintenance and reporting. We have developed an Intranet web site to disseminate up to date information on the Treasury card services program to all employees.

The IRS Purchase Card Automation Project will support government-wide and IRS policy by providing a fully electronic Purchase Card system that is integrated with the IRS financial system. Cardholder reconciliation will be accomplished on-line on a real-time basis. Cardholders will make one-time accounting entries electronically, eliminating the need for re-entry by the Finance offices. Available budget balances will be computed electronically. The Purchase Card automation system will interface directly with the Finance systems for funds obligations and payments. The effort is currently in a pre-pilot test mode. An operational pilot is scheduled for March 1999, with Service-wide expansion scheduled to be completed during FY 1999. The Purchase Card automation effort is part of a Service-wide strategy for a single, procurement database system. Therefore, this effort will be integrated with the existing IRS Integrated Procurement System, Request Tracking System and Automated Financial System. The IRS Office of Tax Systems Acquisition, located in Procurement, is responsible for coordination of this EC initiative across the agency.

The Mint, as well as the other bureaus, plans to use Citibank's web-based product (CitiDirect) for management of the Citibank MasterCard. When the system is implemented Mint-wide, cardholders will only get statements electronically, and invoices will be sent to Accounting electronically. Ease of use of these cards should decrease the amount of paper purchase orders being issued, and increase the ease of payments. This supports the payment utilities building blocks, by providing for electronic invoices and payments. It also allows easier use of electronic catalogs that accept purchase cards for payment. It requires some Change Management, however. The Mint has a goal that 75% of all purchases under \$5,000 be made using the card. Many offices are used to getting purchase orders or checks for micropurchases, and they will be revising some of their operating procedures for maximum card usage to occur.

3. ***Migrating to standard commercial services for electronic identification and authentication of buyers and sellers (including the use of commercial risk structures) as well as for management of information about sellers, as appropriate.***

As commercial and governmental identification/authentication system capabilities evolve, Treasury intends to adopt those that will represent the best value for its rapidly changing systems at the time. This technological area is rapidly evolving, and for procurement purposes, there will be a wait-and-see approach for the rest of FY 1999.

4. ***Making contract formation and administration easier and more effective for buyers and sellers (including small businesses), through use, among other things, of electronic market research tools, and participation in pilot efforts to enable sellers to gain electronic access to government business opportunities through a single, government-wide point of entry.***

(a) During the second and third quarters of FY 1999, all Treasury bureaus will become operational on the NIH Past Performance Database.

(b) By third quarter FY 1999, the Federal Acquisition Institute Internet-based Contracting Officer's Technical Representative (COTR) certification training system will be operational and will be designated as a standard Treasury method for COTRs to receive training.

(c) The Treasury Office of Procurement will complete its revision of the Treasury Procurement Career Development Handbook during the spring of FY 1999. It incorporates significant measures relating to procurement electronic commerce. EC courses will become core requirements. Treasury personnel and procurement offices will be strongly encouraged to include a new "element and standards" related to "technology" (electronic commerce) in all procurement positions. (See [Tab 20](#).) This is one example of the multiple measures being taken toward change management.

(d) By the end of FY 1999, a policy will be issued which requires that every major acquisition planning process incorporate an evaluation of how EC methodologies could be implemented to effect better contract management, from performance measures oversight to invoicing.

(e) EPS - By the end of FY 1999, all Treasury bureaus will be fully operational on EPS. Those bureaus that do not adopt all EC features and services available from EPS will need to justify such. Bureau procurement offices plan to develop electronic interfaces with EPS during FY 2000. (See the EPS Fact Sheet at [Tab 17](#).)

The US Customs Service will initiate full EPS use at its Indianapolis simplified acquisition central office during April-May 1999. The rest of Treasury's procurement offices (USSS and BEP have already implemented) are actively planning for implementation within the next few months. Treasury plans to cease use of CBDnet as a posting mechanism in favor of EPS, as soon as allowed by law. Treasury vendors, especially small businesses, are being alerted to the existence of the EPS and strongly encouraged to register immediately. Treasury perceives the EPS as substantially superior to CBDnet, especially in its treatment of its industry customers, American businesses. Any person or firm may register with EPS and indefinitely receive automatic email notices of synopses of business opportunities according to their business interests. This immensely reduces the effort of businesses to ascertain opportunities of interest. The one-person sole proprietorship has the same ease of access and data retrieval capability as IBM or EDS.

(f) By the first quarter of FY 2000, all Treasury procurement units will be fully operational with the Treasury Acquisition Data System (TADS). TADS collects and reports procurement data (required by Public Law (93-400) to the Federal Procurement Data System (FPDS). It will replace the Treasury Procurement Data System (TPDS) which is non-Y2K compliant. TADS will be a separate Treasury version of the Department of Health & Human Services' Departmental Contracts Information System (DCIS). (See the DCIS Fact Sheet at [Tab 18](#).) This system is Internet-based, incorporating all FPDS edits and a comprehensive desktop management information reporting capability down to the individual buyer. This system uses the same Dun & Bradstreet database (updated quarterly) which the FPDS uses. The system is also linked with and provides data to the NIH Past Performance Database system. After a four-month survey of government and industry vendors, it was judged the most advanced system of its type available. Bureau procurement offices plan to develop electronic interfaces with TADS during FY 2000.

(g) Web Sites - Through the efforts of the departmental Procurement Electronic Commerce Task Force, all web sites, both Internet and Intranet, will be critiqued by task force members during FY 1999 to determine what improvements should be made.

A primary objective of web site design and periodic review is to ensure its usefulness to the small business community. That such sites must be directly or indirectly supportive of small businesses is a basic principle. One of the major concerns of the EC initiative is that small businesses should find EC as a major asset in leveling the playing field, so to speak, with big business. An excellent example of this is the automatic email notification of businesses regarding procurement opportunities through the



EPS. Treasury is taking multiple measures to ensure that its small business community participates in this EPS service.

The Office of Procurement Internet web site continues to be upgraded during FY 1999, ensuring a dynamic site with critical information for bureau procurement management and contract specialist use. This includes essential information relating to the new Treasury Card Services Program under Citibank. The Office of Procurement Internet site continues to be enhanced to deliver better information, especially to vendors and procurement specialists. It includes Procurement Instruction Notices, Treasury Procurement Newsletter publications, policy and procedure, the Department of Treasury Acquisition Regulation, and Treasury Directives. These are regularly updated.

IRS Procurement has implemented its own Procurement web site. The web site provides direct Internet access for all IRS Procurement officers. Procurement operates and maintains the web site. This provides for the most efficient dissemination of IRS business opportunities and internal Procurement policies and procedures. The Request Tracking System (RTS) and the Integrated Procurement System (IPS) are currently under revision to be converted to web based applications. These are the backbone of IRS automated procurement processing. The web based IPS and RTS will maintain all of the current systems functionality as stated previously, with the added benefit of allowing for links to other sites, e.g., GSA sites, FAR on-line, etc. IPS/RTS will also allow for a seamless link to GSA's Electronic Posting System (EPS). This will allow Procurement to utilize the EPS for posting of solicitations and ultimately the receipt of vendor bids. IRS Procurement is currently working with the Department of the Treasury on the usage of EPS and anticipates the link to this single point of entry for EC to be implemented during calendar year 1999.

Almost all Treasury bureaus have or plan to have a presence on their bureau Internet and intranet sites. As an example of planned intranet development, the Mint procurement office plans to establish an intranet site during FY 1999. The Mint's procurement office has representatives on the Mint's "Intranet Team." These representatives will work with members of the Mint's Electronic Products and Information Office to establish a procurement page on the Intranet. This page will contain policy information, and other useful information for Mint staff. This is important information in the Mint's FAR-exempt environment. This will help to facilitate access to opportunities for all types of small business concerns, as well as allow for Change Management, since doing business with the Mint is so different from doing business from other government agencies.

(h) The Mint is currently conducting a pilot program for an imaging system. The pilot is taking place in Procurement, and will involve having all existing contracts, contract modifications, and delivery orders scanned into the imaging system. This will enable Procurement to stop paper distribution of these documents to our internal customers. When the system is implemented by the first quarter of FY 2000, anyone who needs to see a particular contract can search for it in the system, and view a copy online. Again, this is a portion of contract administration that can be done electronically once the system is implemented Mint-wide.

**5. *Using contract writing systems, where appropriate, to automate buying related business functions.***

Treasury has an initiative underway to establish a policy and procedure for fully electronic simplified acquisition records development and maintenance. The goal is to establish the policy vehicle for paperless simplified acquisition by the end of FY 1999.

**6. *Using standard interfaces between agency systems and commercial systems, including for accounting and reporting, and increasing access to EC performance information.***

(a) *Interfaces* - The Treasury Office of Procurement is pursuing a strategy of accomplishing electronic interfaces between key bureau systems and itself. Thus, all essential bureau information will be available. This is best reflected by the adoption of EPS and TADS (see #6 above) as Treasury-wide systems.

(b) *EC Database* - By third quarter FY 1999, the Office of Procurement will have an operational database on the status of EC within the procurement operations of the bureaus. This will be maintained and shared to promote joint planning among the bureaus.

(c) *EC Program Reviews* - Beginning spring 1999, at the onset of the first bureau procurement office oversight review by the departmental Office of Procurement, the first Electronic Commerce Program Evaluation Review will be conducted to provide feedback to the bureau on the status of their EC. (See **Tab 19** for the draft program evaluation tool.) The assessment will determine the office's status on every technologically feasible dimension of EC. Findings reflecting inadequate achievement will be subject to negotiated corrective action planning.

(d) *TADS* - After the replacement system (Treasury Acquisition Data System, TADS) for TPDS is implemented during FY 2000, each bureau intends to develop an electronic interface. Additionally, each bureau plans to assess the feasibility of an electronic interface with EPS.

(e) *Financial System Interfaces* - System Interfaces and Integration - During FY 2000, each bureau that has not achieved either an interface or full integration between its automated procurement system and its financial system will have to present a plan to accomplish this requirement.

The US Customs Service has embarked on a project to obtain an enterprise system to accomplish virtually all administrative functions (e.g., procurement, property inventory, accounting, budgeting, etc.) of the bureau. (Reference their project description at [Tab 12](#).) The requirements developed for the software capabilities include many of the building block activities in the government-wide strategic plan, e.g., use of electronic catalogs for research and purchasing; inclusion of credit card purchasing; support of a single, government-wide point of entry to expand business opportunities for sellers; inclusion of contract formation and administration tools, including contract writing tools; and, performance measurement capability.

(f) *Net Access* - Treasury intends to resolve significant Internet/Intranet access and network security issues across the department during FY 1999. This will be accomplished through a close working relationship with the Office of the CIO.

## **7. *Fostering government and commercial EC partnerships.***

(a) *EC Task Force* - The Treasury Procurement Electronic Commerce Task Force was established in September 1998 to comprehensively promote EC among all acquisition functions. It will continue indefinitely, and incorporates members from other offices: CIO, CFO, Security, Reinvention, and Strategic Planning.

(b) *IT Infrastructure* - The Treasury Office of Information Systems under the Treasury CIO, the Office of the CFO, and the BCPO will collaborate regularly regarding promotion of procurement electronic commerce. With the CIO focused on technological infrastructure, the CFO on payments, and the BCPO on procurement, this triad will significantly advance electronic commerce.

(c) *Government Partnering* - Treasury Department is leveraging resources and partnering for improved services by agreements with HHS for TADS and with GSA for EPS.

(d) *Commercial Partnering* - Treasury expects to be partnering in a loose fashion with several commercial catalog-capable vendors through its general outreach to such firms to help simplify departmental

micropurchase and simplified acquisition efforts. (See #1 above regarding electronic catalogs.) Additionally, major acquisitions will be reviewed in the planning stage for the extent to which there is an opportunity to partner with prospective contractors for streamlining contract administration through EC.

## ***2. Milestones and measures.***

None of the above efforts represent major acquisitions. Some of them have been subject to bureau investment review board review and have been approved. The time frames for completion of the initiatives have been indicated above. Minor milestones and measures are limited to the project plans as they evolve.

## ***3. Management structures and processes.***

Bureau procurement EC initiatives are fully coordinated internally with respective CIO and CFO offices, as appropriate. Often, they will include many other disciplines in order to ensure full stakeholder participation. This is reflective of the high value placed on customer satisfaction throughout all Treasury procurement functions.

Treasury Office of Procurement initiatives received extensive review through the Procurement Electronic Commerce Task Force, composed of bureau and departmental office members, including the offices of the CIO, CFO, Security, Reinvention and Strategic Planning. As in the bureaus, the intent is to reengineer business practices where they cannot be altogether eliminated. In such reengineering, EC is considered a basic resource methodology. Cross-functional, horizontal, interdisciplinary planning and issue resolution are the strategies behind the EC project initiatives.

The individual ultimately responsible for coordination of all procurement electronic commerce initiatives is Annelie Kuhn, Acting Director, Office of Procurement.

[OMB-EC-DOplan]